
Introduction: FY 2002 Proposed Budget and Financial Plan

The FY 2002 Proposed Budget and Financial Plan totals \$5.3 billion for all funding sources and represents an increase of 9.1 percent over the FY 2001 approved budget.

Expenditures from local revenue total \$3.6 billion in FY 2002 and represent an increase of 9.3 percent over the FY 2001 approved budget.

The total number of positions, for all funding sources, is 33,364, and represents a decrease of 1,016 positions, or 3 percent, from the FY 2001 approved budget.

Key Program Investments

- \$37 million for Public Charter Schools to continue funding for 33 schools and adding 5 new schools
- \$27 million for the DC Public Schools to fully fund the per-pupil funding formula and an additional \$2 million for the teaching fellows program and principals program to attract 100 outstanding teaching professionals
- \$32 million for Medicaid to increase coverage for underserved and indigent District residents, especially immigrant children and childless adults
- \$30 million to establish and maintain an integrated community-based approach to health care service delivery with emphasis on the provision of preventive and primary care services
- \$43 million for workforce investments, including union and non-union employees
- \$10 million for the implementation of the police longevity pay retirement benefit enhancement
- \$3.2 million for the implementation of a photo radar program to improve traffic safety (this program is anticipated to generate \$8 million in additional revenue)
- \$3.3 million to fully fund firefighting positions within the Fire and Emergency Medical Services Department

- \$2.9 million within the Office of the Corporation Counsel to implement the Adoption and Safe Families Act and to begin addressing critical staffing needs
- \$2.5 million for the real property Portfolio Management activity within the Office of Property Management to safeguard the District's real property assets.

Aligning Resources with Priorities

The Mayor's FY 2002 Proposed Budget and Financial Plan represents the culmination of several months of considerable effort to align limited fiscal resources to the priorities articulated in the District of Columbia government strategic plan

Turning Ideas Into Action. Similar to all budgets, this budget document articulates where revenues come from and how this revenue is proposed to be allocated in FY 2002. In building the FY 2002 proposed budget, a large number of District staff made invaluable contributions including agency directors, program managers, and financial management staff. This overview provides a brief description of the FY 2002 budget process and calendar as well as a financial overview of the entire budget including revenues and expenditures. The overview is followed by detailed information on the financial plan, revenues, the capital improvement program, and then by the budget chapters for each agency.

FY 2002 Budget Process

Aug. to Oct. 2000	Budget Guidance The Office of Budget and Planning (OBP) develops and distributes the FY 2002 Budget Manual containing guidelines for budget development
Oct. to Dec. 2000	Agency Request Development Agencies developed their FY 2002 budget request within the guidelines while addressing Mayoral priorities
Dec. 2000 to Jan. 2001	Budget Analysis OBP reviewed budget requests for adherence to guidelines, identified efficiency opportunities, and incorporated revised economic data
Jan. 2001 to Mar. 2001	Budget Presentation OBP provided the Mayor with the baseline budget and enhancements requested by the agencies, final budget priorities were determined, and the budget was finalized
Mar. 12, 2001	Budget Consensus Process Begins The Mayor presented his FY 2002 Proposed Budget and Financial Plan to the D.C. Council
Mar. 14, 2001 to Apr. 06, 2001	Council held 61 public hearings on the Mayor's FY 2002 budget request
Apr. 9, 2001 to Apr. 12, 2001	Council committees marked up and reported on agency budgets
May 1, 2001	Council approved the FY 2002 Budget Request Act
June 4, 2001	The Mayor transmits the FY 2002 Proposed Budget and Financial Plan to the President and Congress

FY 2002 Budget Process

The budget formulation process has five distinct phases (budget guidance, agency budget request development, budget request analysis, budget presentation, and budget consensus). The defined structure and sequencing of these phases allows for the orderly development of a \$5.3 billion budget that spans hundreds of diverse programs, over 33,000 employees, and impacts every resident and visitor to the District of Columbia.

Budget Guidance

The Office of Budget and Planning (OBP) developed the FY 2002 budget manual to provide a structured process for agencies to develop and present their FY 2002 budget requests. This structure ensures consistent treatment of typical budget issues, such as inflation, compensation changes, capital improvement requests, and program enhancements. The uniform presentation of agency requests as well as the consistent application of assumptions allows OBP to review and compile recommendations across nearly 100 agencies and hundreds of programs.

Agency Request Development

During this phase of budget development, agencies review their existing programs, align these programs to the priority areas articulated in the strategic plan and determine the anticipated costs of these programs in FY 2002. Additionally, agencies refine performance measures and prepare programmatic enhancements that further support the Mayor's priorities. For FY 2002, requested program enhancements totaled over \$180 million.

Budget Analysis

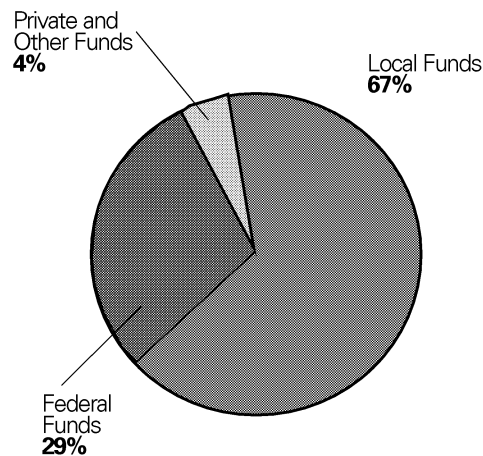
Once received from the agencies, OBP reviewed the FY 2002 budget requests and assessed each program enhancement. OBP ensured agencies followed budget manual guidance and performed crosscutting analyses to identify efficiency opportunities. OBP coordinated the integration of operating and capital budgets as well as assisted in the refinement of agency performance measures.

Budget Presentation

Budget presentation involved synthesizing all of the budget requests and OBP analyses into a

Figure 1

FY 2002 Revenue by Fund



structured process to present stakeholders recommendations, significant issues, and program enhancements for FY 2002. This allowed decision makers to focus on the major issues and make timely decisions concerning many programs. Once final decisions were made, the budget book was prepared and the Mayor's FY 2002 Proposed Budget and Financial Plan was presented to the D. C. Council for consideration.

Budget Consensus Process

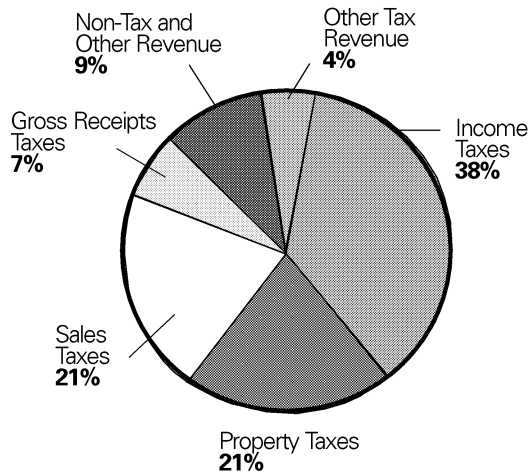
The D.C. Council held hearings on the Mayor's FY 2002 Proposed Budget and Financial Plan. Individual Council committees, as well as the Committee of the Whole, proposed revisions to the budget. The Mayor and Council then reached consensus on these revisions, and a new budget book was prepared for presentation to the President and Congress.

Financial Overview

Sound financial management, as well as legal mandate, requires a balanced budget where anticipated revenues are equal to planned expenditures. The following financial overview provides a brief description of where revenue comes from to finance the numerous services and programs delivered by the District of Columbia government.

For FY 2002, total revenues of \$5.3 billion are anticipated to increase \$439 million, or 9.1 percent, over the FY 2001 approved budget.

Figure 2
General Fund Revenue



For FY 2002, local revenues of \$3.6 billion are anticipated to increase \$301 million, or 9.3 percent, over the FY 2001 approved budget

Revenues

As with most municipalities and states throughout the country, the District receives revenue from varied sources (taxes, fees, fines, grants, aid, etc.). The District receives most of its revenue from local sources directly from District residents, business, and visitors.

As depicted in Figure 1, local revenue (e.g., income, property, and sales taxes) provides the largest portion of revenues to fund District services. Local revenue sources are typically not earmarked for a particular purpose but are allocated

through the general fund to support District programs and services. Because the District also performs many state functions, it receives federal funds for programs such as Medicaid, Temporary Assistance to Needy Families, and community development. These grants are earmarked for a particular purpose or program and cannot be re-allocated to fund other programs or services.

In addition to local and federal revenues, the District receives revenue from private and other sources. These sources include non-federal grants and charges for services that are retained by the agency for costs associated with the service provided (e.g., the gasoline tax for the highway trust fund to maintain the District's highways or vehicle licensing fees for the Department of Motor Vehicles).

General Fund Revenue

The District relies on four sources for 87 percent of its locally generated revenue: income taxes (38 percent); sales and use taxes, including excise taxes (21 percent); property taxes (21 percent); and gross receipts taxes (7 percent). The current estimate for total local source FY 2002 revenue is \$301 million (9.3 percent) higher than the Congressionally approved FY 2001 revenue budget. This change is primarily attributable to increases in the income and property taxes. Much of this increase is incorporated within revisions to the FY 2001 revenue estimates which were certified after the adoption

Table 1
FY 2002 Expenditures, by Appropriation Title
(dollars in thousands)

All Funding Sources

	Approved FY 2001	Proposed FY 2002	Change from FY 2001	Percent Change
Governmental Direction and Support	\$195,771	\$284,559	\$88,788	45.4%
Economic Development and Regulation	205,638	230,878	25,240	12.3%
Public Safety and Justice	762,546	632,668	(129,878)	-17.0%
Public Education System	998,918	1,106,165	107,247	10.7%
Human Support Services	1,535,654	1,803,923	268,229	17.5%
Public Works	278,242	300,151	21,909	7.9%
Receiverships	389,528	403,368	13,840	3.6%
Financing and Other	484,419	528,510	44,091	9.1%
Total	\$4,850,716	\$5,290,222	\$439,506	9.1%

of the FY 2001 approved budget. As a result, the most recent FY 2002 revenue forecast is about \$97 million more than the most recently revised estimate for FY 2001. As discussed in more detail within the Revenue chapter of this budget book, the District will begin the phased return to annual property tax assessments. The change from a triennial assessment schedule to an annual assessment schedule will increase revenue for FY 2002. Significant changes and assumptions concerning all revenue sources are discussed in detail within the Revenue chapter of this budget book.

Expenditures

Expenditures for all funding sources in FY 2002 total \$5.3 billion, an increase of \$439 million over the FY 2001 approved budget. Expenditures for the District of Columbia are directed to broad program areas—appropriation titles—such as public education, and for specific expenditure categories such as personal services and nonpersonal services. Table 1 depicts the relative proposed total funding for each of the 8 appropriation titles within the General Fund.

Human Support Services accounts for the largest portion of the District's total expenditures (accounting for 34 percent of the total budget). Human Support Services includes the District's Medicaid program within the Department of Health and the Temporary Assistance for Needy Families program within the Department of Human Services. For locally funded programs, public education is the largest appropriation title with 25 percent of locally generated tax revenue directed to public education (including District of Columbia Public Schools, Charter Schools and the University of the District of Columbia). Table 2 reflects proposed local funding for the 8 appropriation titles.

Within each appropriation title there are many agencies (e.g., the Governmental Direction and Support appropriation title includes agencies such as the Office of Property Management and the Office of the Chief Technology Officer), and

within each agency there is proposed funding by specific expenditure categories. Within each agency budget chapter, a table is provided that details proposed funding for each expenditure category. Table 3 reflects the entire proposed locally funded budget by expenditure category.

FY 2002 proposed expenditures by category reflect the continued importance of the District workforce in providing quality services. For FY 2002, personal services will account for 39 percent of the cost of locally funded services. Personal services increases \$82 million, or 6.3 percent, over the FY 2001 approved budget. The increase is primarily attributable to workforce investments for union and nonunion employees. The compensation increase funding is reflected within the Workforce Investments budget chapter and will be allocated to the agencies once compensation increases are finalized. After accounting for the anticipated increase for compensation increases, personal services increased 3 percent over the FY 2001 approved budget.

Other significant increases in expenditure categories include a \$158 million, or 14 percent, increase in subsidies and transfers. This increase accounts for 52 percent of the entire local funds budget increase in FY 2002 and is primarily attributable to increases of:

- \$37 million for Public Chapter Schools
- \$32 million for Medicaid (Department of Health)
- \$30 million for the Health Care Safety Net Administration
- \$26 million for the Police and Fire Retirement System, of which \$10 million is associated with the implementation of the police longevity pay retirement benefit enhancement
- \$10.5 million for the District's operating subsidy to the Washington Metropolitan Area Transportation Authority (WMATA)

The individual budget chapter for each agency provides a description of significant changes in FY 2002.

Table 2

FY 2002 Expenditures, by Appropriation Title

(dollars in thousands)

Local Funds

	Approved FY 2001	Proposed FY 2002	Change from FY 2001	Percent Change
Governmental Direction and Support	\$162,172	\$228,471	\$66,299	40.9%
Economic Development and Regulation	53,562	60,786	7,224	13.5%
Public Safety and Justice	591,565	593,618	2,053	0.3%
Public Education System	824,867	894,494	69,627	8.4%
Human Support Services	637,347	711,072	73,725	11.6%
Public Works	265,078	286,334	21,256	8.0%
Receiverships	234,913	250,015	15,102	6.4%
Financing and Other	481,279	528,510	47,231	9.8%
Total	\$3,250,783	\$3,553,300	\$302,517	9.3%

Table 3

FY 2002 Expenditures, by Category

(dollars in thousands)

Local Funds

	Approved FY 2001	Proposed FY 2002	Change from FY 2001	Percent Change
Regular Pay - Cont. Full Time	\$1,051,136	\$1,118,220	\$67,084	6.4%
Regular Pay - Other	40,716	49,496	8,779	21.6%
Additional Gross Pay	54,326	52,873	(1,453)	-2.7%
Fringe Benefits	159,383	167,082	7,700	4.8%
Subtotal Personal Services (PS)	1,305,561	1,387,671	82,111	6.3%
Supplies and Materials	42,304	45,118	2,814	6.7%
Utilities	54,330	56,571	2,241	4.1%
Communications	17,981	18,152	171	1.0%
Rentals - Land and Structures	59,814	64,707	4,893	8.2%
Janitorial Services	0	5,224	5,224	N/A
Security Services	0	15,347	15,347	N/A
Other Services and Charges	107,617	124,805	17,188	16.0%
Contractual Services	225,455	240,714	15,258	6.8%
Subsidies and Transfers	1,091,484	1,249,476	157,992	14.5%
Equipment and Equipment Rental	44,192	43,644	(548)	-1.2%
Debt Service	302,046	301,873	(174)	0.1%
Subtotal Nonpersonal Services (NPS)	1,945,222	2,165,628	220,406	11.3%
Total	\$3,250,783	\$3,553,300	\$302,517	9.3%